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 **BELLSOUTH**

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BellSouth Telecommunications, Inc
333 Commerce Street
Suite 2101
Nashville, TN 37201-3300

guy.hicks@bellsouth.com

T.R.A. DOCKET ROOM



Guy M. Hicks
General Counsel

615 214 6301
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September 16, 2004

VIA HAND DELIVERY

Hon. Pat Miller
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re *Approval of the Amendment to the Interconnection Agreement Negotiated by BellSouth Telecommunications, Inc. and Business Telecom, Inc. Pursuant to Sections 251 and 252 of the Telecommunications Act of 1996*
Docket No. 04-00295

Dear Chairman Miller:

Pursuant to Section 252(e) of the Telecommunications Act of 1996, Business Telecom, Inc. and BellSouth Telecommunications, Inc. are hereby submitting to the Tennessee Regulatory Authority the original and fourteen copies of the attached Petition for Approval of the Amendment to the Interconnection Agreement dated March 25, 2003. The Amendment deletes Local Number Portability USOCs and adds Melded Tandem Switching rates to the Agreement.

Thank you for your attention to this matter.

Sincerely yours,


Guy M. Hicks

cc Business Telecom, Inc., General Counsel

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

In re: *Approval of the Amendment to the Interconnection Agreement Negotiated by BellSouth Telecommunications, Inc and Business Telecom, Inc. Pursuant to Sections 251 and 252 of the Telecommunications Act of 1996*

Docket No. _____

PETITION FOR APPROVAL OF THE
AMENDMENT TO THE INTERCONNECTION AGREEMENT
NEGOTIATED BETWEEN BELL SOUTH TELECOMMUNICATIONS, INC.
AND BUSINESS TELECOM, INC.
PURSUANT TO THE TELECOMMUNICATIONS ACT OF 1996

COME NOW, Business Telecom, Inc. ("BTI") and BellSouth Telecommunications, Inc., ("BellSouth"), and file this request for approval of the Amendment to the Interconnection Agreement dated March 25, 2003 (the "Amendment") negotiated between the two companies pursuant to Sections 251 and 252 of the Telecommunications Act of 1996, (the "Act"). In support of their request, BTI and BellSouth state the following:

1 BTI and BellSouth have successfully negotiated an agreement for interconnection of their networks, the unbundling of specific network elements offered by BellSouth and the resale of BellSouth's telecommunications services to BTI. The Interconnection Agreement was approved by the Tennessee Regulatory Authority ("TRA") on June 2, 2003.

2. The parties have recently negotiated an Amendment to the Agreement which deletes Local Number Portability USOCs and adds Melded Tandem Switching rates to the Agreement. A copy of the Amendment is attached hereto and incorporated herein by reference.

3. Pursuant to Section 252(e) of the Telecommunications Act of 1996, BTI and BellSouth are submitting their Amendment to the TRA for its consideration and approval. The Amendment provides that either or both of the parties is authorized to submit this Amendment to the TRA for approval.

4. In accordance with Section 252(e) of the Act, the TRA is charged with approving or rejecting the negotiated Amendment between BellSouth and BTI within 90 days of its submission. The Act provides that the TRA may only reject such an agreement if it finds that the agreement or any portion of the agreement discriminates against a telecommunications carrier not a party to the agreement or the implementation of the agreement or any portion of the agreement is not consistent with the public interest, convenience and necessity.

5. BTI and BellSouth aver that the Amendment is consistent with the standards for approval.

6. Pursuant to Section 252(i) of the Act, BellSouth shall make the Agreement available upon the same terms and conditions contained therein.

BTI and BellSouth respectfully request that the TRA approve the Amendment negotiated between the parties.

This 16th day of Sept., 2004.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

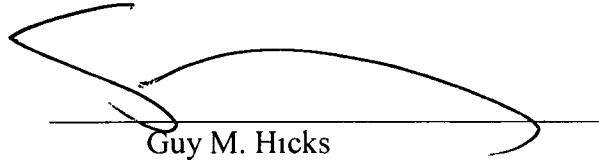
By: _____

Guy M. Hicks
333 Commerce Street, Suite 2101
Nashville, Tennessee 37201-3300
(615) 214-6301
Attorney for BellSouth

CERTIFICATE OF SERVICE

I, Guy M. Hicks, hereby certify that I have served a copy of the foregoing Petition for Approval of the Amendment to the Interconnection Agreement on the following via United States Mail on the 16th day of Jan, 2004:

Business Telecom, Inc.
General Counsel
4300 Six Forks Road
Raleigh, NC 27609



Guy M. Hicks

**Amendment to the Agreement
Between
Business Telecom, Inc.
and
BellSouth Telecommunications, Inc.
Dated March 25, 2003**

Pursuant to this Amendment, (the "Amendment"), Business Telecom, Inc. (BTI), and BellSouth Telecommunications, Inc. ("BellSouth"), hereinafter referred to collectively as the "Parties," hereby agree to amend that certain Interconnection Agreement between the Parties dated March 25, 2003 ("Agreement") to be effective thirty (30) calendar days after the date of the last signature executing the Amendment.

WHEREAS, BellSouth and BTI entered into the Agreement on March 25, 2003,
and,

WHEREAS, BellSouth and BTI desire to incorporate or modify existing terms, conditions and/or rates associated with Melded Tandem Switching, Voice Over the Internet Protocol (VOIP), Deposit, Modification of Agreement and Jurisdictional Reporting,

NOW THEREFORE, in consideration of the mutual provisions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby covenant and agree as follows

1. Attachment 2, Exhibit B is hereby amended to add the rates for Melded Tandem Switching (MTSR) as set forth in Exhibit 1, attached hereto and incorporated herein by this reference.
2. The parties agree to add the following provision to Attachment 2, Section 4
 - 4.1.2 Where BTI utilizes portions of the BellSouth network in originating or terminating traffic, the Tandem Switching rates are applied in call scenarios where the Tandem Switching Network Element has been utilized. Because switch recordings cannot accurately indicate on a per call basis when the Tandem Switching Network Element has been utilized for an interoffice call originating from a UNE port and terminating to a BellSouth, Independent Company or Facility-Based CLEC office, BellSouth has developed, based upon call studies, a melded rate that takes into account the average percentage of calls that utilize Tandem Switching in these scenarios. BellSouth shall apply the melded Tandem Switching rate for every call in these scenarios. BellSouth shall utilize the melded Tandem Switching Rate until BellSouth has the capability to measure actual Tandem Switch usage in each call scenario specifically mentioned above, at which point the rate for the actual Tandem Switch usage shall apply. The UNE Call Flows set forth on BellSouth's website, as amended from time to time,

if such amendments are mutually agreed upon, illustrate when the full or melded Tandem Switching rates apply for specific scenarios.

3. The Parties hereby agree to delete Section 7 6.1 of Attachment 3 and replace as follows:
 - 7 6 1 Switched Access Traffic. Switched Access Traffic is described as telephone calls requiring local transmission or switching services for the purpose of the origination or termination of Telephone Toll Service. Switched Access Traffic includes, but is not limited to, the following types of traffic: Feature Group A, Feature Group B, Feature Group C, Feature Group D, toll free access (e.g., 8XX), 900 access and their successors. Additionally, any Public Switched Telephone Network interexchange telecommunications traffic, regardless of transport protocol method, where the originating and terminating points, end-to-end points, are in different LATAs, or are in the same LATA and the Parties' Switched Access services are used for the origination or termination of the call, shall be considered Switched Access Traffic. Irrespective of transport protocol method used, a call which originates in one LATA and terminates in another LATA (i.e., the end-to-end points of the call) or in which the Parties' Switched Access Services are used for the origination or termination of the call, shall not be considered Local Traffic or ISP-bound Traffic. The Parties have been unable to agree as to whether "Voice-Over Internet Protocol" (VOIP) transmission which cross LATA boundaries constitute Switched Access Service Traffic. Notwithstanding the foregoing, and without waiving any rights with respect to either Party's position as to the jurisdictional nature of VOIP, the Parties agree to any effective and applicable FCC rules and orders regarding the nature of such traffic and the compensation payable by the Parties for such traffic, if any; provided however, that any VOIP transmission which originates in one LATA and terminates to another LATA (i.e., the end-to-end points of the call), shall not be compensated as Local Traffic.
4. The Parties agree to add the following language as Section 2.1.1 of Attachment 5:
 - 2.1.1 BTI shall pay to BellSouth the Local Number Portability charges as set forth in Section 13 of the BellSouth FCC No. 1 Tariff.
5. The Parties agree to delete in their entirety all rate elements and USOCs identified as "Local Number Portability charges" in Exhibit B of Attachment 2, as specified by the following USOCs: LNPCS, LNPCP, LNPCN and LNPCC, pursuant to the Order in the matter of the Telephone Number Portability BellSouth Corporation Petition for

Declaratory Ruling and/or Waiver CC Docket No. 95-116, released April 13, 2004.

- 6 The Parties agree to add the following Jurisdictional Factors provision as Section 7 4.6 of Attachment 3 as follows:

Jurisdictions Factors BTI agrees to report all factors quarterly in accordance with the Jurisdictional Factors Reporting Guide (Version 5), effective December 3, 2003, which can be found at www.interconnection.bellsouth.com/guides/ixc/pdf/factgu.pdf as it is amended from time to time, if such amendments are mutually agreed upon. All amendments to the Guide will be considered mutually agreed upon unless BTI provides written notice to BellSouth of disagreement with the changes within thirty (30) days of any changes being posted to the website. BTI further agrees to bill BellSouth according to the factors provided to BTI by BellSouth on a prospective basis. Because BTI is in the process of disconnecting its Feature Group D trunks to BellSouth, BTI intends to use its existing ACNA to report the PLF factor and BellSouth agrees to accept the PLF factor as applied to BTI's existing ACNA. Additionally, upon completion of the disconnection of the FGD trunks, BTI shall report a PLF factor of approximately 100%.

7. The Parties agree to delete Sections 1.8 - 1.8.8, Deposit Policy of Attachment 7 in its entirety and replace with the following

1.8 Deposit Policy The Parties agree that the purpose of this Deposit is to provide assurance to BellSouth that timely payments for services performed and accurately billed are made by BTI to BellSouth. The Parties also agree that the remedies of this Deposit Policy shall be applied in good faith and not under circumstances caused by an administrative error. BellSouth reserves the right to secure the accounts of new and existing customers only as provided for pursuant to this section. Customer, for purposes of this Section 1.8, is defined as Business Telecom, Inc. or any entity authorized to conduct business as a CLEC in the state and does not include any parents or separate affiliates. Notice, for purposes of this Deposit Policy, is defined as written notification to the Chief Financial Officer, General Counsel, and Vice President of Line Cost Accounting of BTI.

1.8.1 New Customers and existing Customers may satisfy the requirements of this section with a D&B credit rating of 5A1 or through the presentation of a payment guarantee executed by another existing customer of BellSouth and with terms acceptable to BellSouth where said guarantor has a credit rating equal to 5A1. Upon request, Customer shall complete the BellSouth credit profile and provide information, reasonably necessary, to BellSouth regarding creditworthiness.

1.8.2 With the exception of new Customers with a D&B credit rating equal to 5A1, BellSouth may secure the accounts of all new Customers as set forth in subsection 1.8.4. In addition, new Customers will be treated as such until twelve months from their first bill/invoice date, and will be treated as existing Customers thereafter.

- 1.8.3 If a Customer has filed for bankruptcy protection within twelve (12) months of the effective date of this Agreement, BellSouth may treat Customer, for purposes of establishing a security on its accounts as a new customer as set forth in subsection 1.8.7
- 1.8.4 The security required by BellSouth shall take the form of cash, an Irrevocable Letter of Credit (BellSouth Form), Surety Bond (BellSouth Form), or, in BellSouth's sole discretion, some other form of security proposed by Customer. The amount of the security shall not exceed one month's estimated billing for services billed in advance and two months' billing for services billed in arrears and if provided in cash, interest on said cash security shall accrue and be paid in accordance with the terms in the Commission approved General Subscriber BellSouth tariff for the appropriate state
- 1.8.5 Any such security shall in no way release Customer from the obligation to make complete and timely payments of its bill.
- 1.8.6 No security deposit shall be required of an existing Customer who has a good payment history and meets two (2) liquidity benchmarks set forth below in Sections 1.8.6.2 and 1.8.6.3. BellSouth may secure, pursuant to Section 1.8.9, the accounts of existing Customers where an existing Customer does not have a good payment history as defined in Section 1.8.6.1. If an existing Customer has a good payment history but fails to meet the two (2) liquidity benchmarks defined in Sections 1.8.6.2 and 1.8.6.3, BellSouth may secure the Customer's accounts, pursuant to Section 1.8.9
- 1.8.6.1 Payment history is based upon the preceding twelve (12) month period. A good payment history shall mean that less than 10% of the non-disputed receivable balance is aged over thirty (30) days from the invoice/bill date at any given time. The existing Customer's payment history shall be predicated on net-thirty (30) day terms from the invoice/bill date. Only good faith disputes submitted to BellSouth pursuant to the procedures set forth in the parties' interconnection agreement, as amended, will be considered in determining the "non-disputed receivable balance". Where Customer has disputed a rate change initiated by BellSouth as a result of the Triennial Review Order and/or the appeal of that order by the U.S. District Court for the District of Columbia (referred to as "USTAIL"), BellSouth shall treat that dispute as a dispute in good faith pending any final determination made pursuant to the dispute resolution mechanism set forth in the parties' interconnection agreement. If an invoice/bill is delivered electronically, and such electronic invoice/bill is transmitted by BellSouth more than ten (10) business days after the invoice/bill date, the calculation of Customer's payment history as to said invoice shall be on net-thirty (30) day terms from the date the invoice/bill is transmitted for such invoice/bill.
- 1.8.6.1.2 If Customer fails to comply with the requirements of this Section 1.8.6.1, BellSouth will provide Customer with three (3) business days Notice of default of this Section 1.8.6.1. If Customer fails to either cure said default, or to demonstrate that there is no default, within the three (3)

business days notice period, BellSouth may secure Customer's accounts pursuant to Section 1 8 9

- 1 8 6 2 The existing Customer's liquidity status, based upon a review of EBITDA, is EBITDA positive for the prior four (4) quarters of reported financials excluding any nonrecurring charges or special restructuring charges EBITDA means, for any period, the sum, determined on a Consolidated basis, of (a) net income, (b) interest expense, (c) income tax expense, (d) depreciation expense, (e) amortization expense, and (f) the aggregate of all non-case deducted in arriving at net income in clause (a) above, as long as this information is included in publicly available financial data audited annually by a domestic Certified Public Accountant, including, but not limited to, asset impairment charges and any restructuring charges
- 1.8 6 3 The existing Customer has a current bond rating of BBB or above or Customer has no bond rating or a current bond rating between CCC and BB and meets the following criteria for the reported financials of the last Fiscal Year End, audited by a domestic Certified Public Accountant ("Last Fiscal Year End"), and for the prior four (4) quarters of reported financials on a cumulative basis
 - 1 8 6 3 1 Positive cash flow from operations minus cash dividends Negative cash flow from operations directly due to one time charges from merger and acquisitions or other extraordinary items will not automatically act as a trigger for a deposit Customer will disclose the nature and amount of such charges to BellSouth, and BellSouth will review such amounts and shall waive this condition if exclusion of such items would result in positive cash flow from operations, and Customer has adequate cash or liquidity to fund such adjustments
 - 1.81.6 3 2 Positive tangible net worth,
 - 1 8 6.3.3 Debt/tangible net worth between zero and 2.5 For purposes of computing debt/tangible net worth, the redeemable preferred stock presented in the mezzanine section of the Customer's balance sheet will be included as equity; and
 - 1 8 6 3.4 Customer is compliant with all financial maintenance covenants.
- 1 8 7 If Customer files for bankruptcy protection during the term of this Agreement, Customer acknowledges that BellSouth is entitled to adequate assurance of payment in the form of a deposit of one months' estimated billing for services billed in advance and two months billing for services billed in arrears or other means of security during the pendency of the bankruptcy proceeding Upon confirmation of the reorganization plan and the emergence of Customer from bankruptcy, if BellSouth's agreements were not cured 100% and BellSouth incurred a loss on the pre-petition account of Customer of the bankruptcy, Customer shall be treated as a new customer, as "new Customer" is treated under this section, for a period of one year in regard to BellSouth's right to secure the accounts of Customer

1 8 8 Upon notice of default of a bank (or other loan provider's) financial maintenance covenant and upon Customer's failure to either cure or obtain a waiver from such default within seven (7) calendar days of notice, BellSouth may utilize the remedies set forth in subsection 1.8.9 unless Customer can demonstrate to the reasonable satisfaction of BellSouth that Customer has ample liquidity to fund said debt should the debt payment obligation become accelerated

1 8.9 If, at any time during the term of this Agreement, Customer fails to comply with the requirements of Section 1.8.6 or 1.8 8, BellSouth shall provide Notice to Customer of its intent to implement this subsection 1 8.9.

1 8 9 1 Upon receipt of notice, Customer shall pay all current amounts by due date and pay past due nondisputed amounts immediately. Customer shall also immediately pay disputed amounts to the extent the amount in dispute is greater than 30% of total charges for the current month. Customer shall thereafter pay the charges for future services billed by BellSouth pursuant to an accelerated payment schedule, which shall provide for half of the charges to be paid within fifteen (15) days of invoice/bill date and the remainder to be paid within thirty (30) days of invoice/bill date. If an invoice/bill is delivered electronically for future services, and such electronic invoice/bill is transmitted more than ten (10) business days from invoice/bill date, the accelerated payment schedule will be adjusted for said invoice/bill and shall provide for half of the charges to be paid within fifteen (15) days of said invoice/bill transmit date and the remainder to be paid within thirty (30) days of said invoice/bill transmit date. Further, Customer shall pay all disputed amounts to the extent the amount in dispute is greater than 30% of the total charges for the current month, within the accelerated payment schedule timeframe. If paid disputed amounts are resolved in the Customer's favor, the Customer will be issued a credit for the resolved amount and BellSouth shall credit Customer's account for accrued interest at the same rate of interest that BellSouth assesses under its tariffs for late payment. Customer shall make all payments from readily available funds by wire transfer or some other equivalent electronic means. If Customer fails to comply with the requirements of this Section 1 8.9.1, BellSouth will provide Customer with three (3) business days Notice of default of this Section. If Customer fails to either cure said default, or to demonstrate that there is no default, within the three (3) business days notice period, BellSouth may secure Customer's accounts pursuant to Section 1.8 9 2.

1.8.9 2 If Customer defaults on above Section 1 8.9.1, then BellSouth may secure accounts with a one (1) months deposit of average billing services billed in advance and two (2) months billing for services billed in arrears during prior six month period. Said deposit shall be paid to BellSouth within thirty (30) days from the date of BellSouth Notice pursuant 1 8 9 1. The security required by BellSouth shall take the form of cash, an Irrevocable Letter of Credit (BellSouth form), Surety Bond (BellSouth form), or, in BellSouth's sole discretion, some other form of security proposed by Customer. If the amount of security is provided in cash, interest on said cash security shall accrue and be paid in accordance with the terms in the appropriate BellSouth tariff. If Customer fails to comply with the requirements of this Section

1.8.9.2, BellSouth will provide Customer with three (3) business days notice of default of this Section 1.8.9.2. If Customer fails to cure said default within the three (3) business days notice period, BellSouth shall have the right to begin immediate termination of services provided under this Agreement without regard to any other provision contained within this Agreement

- 1.8.10 Once a deposit is provided to BellSouth by Customer under any criterion, if, after twelve (12) months, Customer meets the criterion specified in above Section 1.8.6, the deposit and all interest will be applied to Customer's account. If at any time subsequent to the return of a deposit, Customer evinces a poor payment history or fails to satisfy the conditions set forth in this deposit policy, BellSouth may require a security deposit.
- 1.8.11 In the event BellSouth demands a deposit from Customer and Customer can show that BellSouth's demand is contrary to the terms and intent of this Section 1.8, Customer reserves its right to seek Commission review of BellSouth's deposit demand.
- 8 The Parties agree to delete Section 1.3 and 1.4 of Attachment 7 in their entirety.
- 9. The Parties agree to add Section 14.2.1 to Modification of Agreement Section 14 of General Terms and Conditions as follows.
 - 14.2.1 Except as otherwise set forth in Attachment 3, Section 2 concerning the Jurisdictional Factor Guide, the Parties acknowledge that certain provisions of this Agreement incorporate by reference various BellSouth document and industry publications (collectively referred to herein as the "Provisions"), and that such Provisions may change from time to time. The Parties agree that: 1) If the change or alteration was made as a result of the Change Control Process (CCP), a revision to ANSI or Telcordia guidelines or OBF guidelines or if BTI agrees in writing to such change or alteration, any such change or alteration shall become effective with respect to BTI pursuant to the terms of the notice to BTI via the applicable Internet website posting; 2) Any other changes that (a) alters, amends or conflicts with any term of this Agreement, (b) changes any charge or rate, or the application of any charge or rate, specified in this Agreement, will be implemented through amendment of this Agreement; and 3) all other changes that would require BTI to incur more than minimal expense will not become effective as to BTI provided BTI has submitted to BellSouth notice within thirty (30) days of receipt/posting of BellSouth's notice of such change. For purposes of item (3) above, costs associated with disseminating notice of the change or providing training regarding the change to employees shall not be deemed "more than minimal." In the event the Parties disagree as to whether any alteration or amendment described in this Section is effective as to BTI pursuant to the requirements of this Section, either Party may file a complaint with the Commission pursuant to the dispute resolution provisions of this Agreement, and until a Commission issues its order regarding the dispute, the change shall not take effect

- 10 All of the other provisions of the Agreement, dated March 25, 2003, shall remain in full force and effect.
- 11 Either or both of the Parties are authorized to submit this Amendment to the respective state regulatory authorities for approval subject to Section 252(e) of the Federal Telecommunications Act of 1996

IN WITNESS WHEREOF, the Parties have executed this Agreement the day and year written below.

BellSouth Telecommunications, Inc.

By: 

Name: Kristen E. Rowe

Title: Director

Date: 07-16-04

Business Telecom, Inc.

By: 

Name: JERRY WATTS

Title: VICE PRESIDENT

Date:

UNBUNDLED NETWORK ELEMENTS - Alabama

UNBUNDLED LOCAL SWITCHING, PORT USAGE

UNBUNDLED NETWORK ELEMENTS - Florida

UNBUNDLED LOCAL SWITCHING, PORT USAGE

[illegible]

AMENDMENT EXHIBIT 1

[illegible]

UNBUNDLED NETWORK ELEMENTS - Louisiana

UNBUNDLED LOCAL SWITCHING, PORT USAGE

UNBUNDLED NETWORK ELEMENTS - Tennessee

[illegible]